

Message Text

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TO AMEMBASSY MOSCOW PRIORITY

C O N F I D E N T I A L STATE 287391

E.O. 11652: GDS

TAGS: ECON, EEWT, UR

SUBJECT: SOVIET INQUIRY CONCERNING JOINT COMPANIES FOR
LICENSINTORG AND TRACTOROEXPORT

REF: ARMITAGE-MKRTUMOV MEMCON OF SEPTEMBER 28, 1976

1. SOVIET TRADE REPRESENTATIVE MKRTUMOV CALLED ON EUR
DEPUTY ASST. SECRETARY ARMITAGE, NOV 19, FOR A GENERAL DIS-
CUSSION OF US-SOVIET ECONOMIC RELATIONS, AND TO DETERMINE
THE STATUS OF CERTAIN BUSINESS FACILITATION PROBLEMS
WHICH HE PLANS TO DISCUSS WITH FOREIGN TRADE MINISTER
PATOLICHEV WHEN HE GOES TO MOSCOW FOR TRADE AND ECONOMIC
COUNCIL MEETING.

2. IN RESPONSE TO MKRTUMOV'S QUESTION REGARDING THE US
ATTITUDE TOWARD A JOINT COMPANY INVOLVING LICENSINTORG,
ARMITAGE REPLIED: (A) THE USG NOT YET CONVINCED THAT SUCH
A COMPANY IS NEEDED TO EXPAND TRADE, SPECIFICALLY THE
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BUYING AND SELLING OF LICENSES; (B) WE NEED MORE DETAILED

INFORMATION CONCERNING THE MAKE-UP AND PROPOSED ACTIVITIES

OF JOINT COMPANY (WE PROVIDED MKRTUMOV WITH A LIST OF SPECIFIC QUESTIONS--COPY BEING POUCHED TO EMBASSY); AND (C) STATE WOULD BE PLEASED TO DISCUSS THIS MATTER FURTHER WITH TRADE REPRESENTATION OR A LICENSINTORG REPRESENTATIVE. ARMITAGE ALSO NOTED WILLIAM EDGAR (EUR/SOV) WILL BE IN MOSCOW FOR TRADE AND ECONOMIC COUNCIL MEETING AND WILL BE AVAILABLE FOR CONSULTATIONS ON THIS MATTER AT THAT TIME.

3. WITH REGARD TO THE SOVIET PROPOSAL FOR THE ESTABLISHMENT OF A SOVIET TRACTOR COMPANY IN THE US (SEE REFERENCE), DEPARTMENT HAD CONTACTED HAROLD SCOTT OF THE TRADE AND ECONOMIC COUNCIL PRIOR TO THE ARMITAGE-MKRTUMOV MEETING. SCOTT HAD EXPRESSED SURPRISE AT THE SOVIET REQUEST, WHICH HE CONSIDERS DIRECTLY CONTRARY TO HIS UNDERSTANDING OF WHAT THE SOVIETS ARE SEEKING. DURING HIS MOST RECENT VISIT TO MOSCOW, SCOTT HAD SUGGESTED DISTRIBUTION OF SOVIET TRACTORS BE GIVEN TO EXPERIENCED AND FINANCIALLY SOLID US COMPANY. ALKHIMOV REPORTEDLY AGREED AND ASKED HIM TO LOOK FOR SUCH A FIRM, AND SCOTT IS NOW NEGOTIATING A DEAL WITH "LARGE EQUIPMENT DEALERS." HE SEEMED TO BELIEVE, HOWEVER, THAT SATRA WAS BOWING OUT OF TRACTOR BUSINESS (WHICH IS NOT WHAT WE UNDERSTAND TO BE SATRA'S INTENTION).

4. BASED ON THIS INFORMATION, ARMITAGE ADVISED MKRTUMOV (A) THAT THERE SEEMS TO BE DISTINCTLY DIFFERENT IDEAS ABOUT THE MOST APPROPRIATE WAY TO RESOLVE THE PROBLEM; (B) WE UNDERSTAND THAT THE COUNCIL HAS BEEN ASKED BY THE SOVIETS TO LOOK FOR A US PARTNER FOR "TRACTOROEXPORT" WHICH WOULD DISTRIBUTE AND SERVICE THE TRACTORS, AND EXECUTIVES OF SOME OF THE FIRMS UNDER CONSIDERATION WILL BE TRAVELLING TO MOSCOW FOR THE COUNCIL MEETING LATER THIS MONTH; (C) GIVEN THE ABOVE, WE BELIEVE IT WOULD BE PREMATURE TO GIVE A FINAL DECISION RE THE ESTABLISHMENT OF BELARUS USA AS PROPOSED, AND WE WOULD APPRECIATE SOVIET CLARIFICATION OF WHERE THIS MATTER STANDS AFTER THE COUNCIL MEETING.

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5. WHEN MKRTUMOV STATED THAT HE KNEW NOTHING OF THE COUNCIL'S ACTIONS, HE RELUCTANTLY AGREED TO RAISE THE SUBJECT IN MOSCOW.

6. ON OTHER SUBJECTS, MKRTUMOV LAMENTED THE FACT THAT THE USSR IS HAVING PROBLEMS WITH US FINANCING SINCE EXIM

AND OTHER BANKS ARE NOT COMPETITIVE. HE ALSO COMPLAINED ABOUT THE HIGH DUTIES ON GOODS EXPORTED TO THE US, INCLUDING CERTAIN RAW MATERIALS. HE NOTED THAT THE AMMONIA PROJECTS SEEM TO BE PROGRESSING SATISFACTORILY ALTHOUGH CHEMICO HAD RUN INTO SOME FINANCIAL DIFFICULTIES INVOLVING AN ALGERIAN LNG PLANT. BY EARLY 1978 HE EXPECTS THE DELIVERY OF 350,000 TONS OF AMMONIA WITH A COMPARABLE VOLUME OF PHOSPHATE TO THE USSR, MOSTLY FROM FLORIDA. KAMA, HE SAID, IS OPERATING SOME PARTS OF ITS FOUNDRY, ALTHOUGH THERE HAVE BEEN SOME PROBLEMS WITH ELECTRIC FURNACES. ROBINSON

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